

ROYALTON TOWNSHIP

(Berrien)

FINANCIAL REPORT

**RECEIVED**

DEPT. OF TREASURY

March 31, 2004

✓ JUN 18 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>ROYALTON TOWNSHIP</b>	County <b>BERRIEN</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>4/23/04</b>	Date Accountant Report Submitted to State: <b>6/14/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>GERBEL &amp; COMPANY, P.C.</b>			
Street Address <b>830 PLEASANT STREET, P.O. BOX 44</b>		City <b>ST. JOSEPH</b>	State <b>MI</b>
Accountant Signature <i>Ray S. Kenfro, CPA</i>		ZIP <b>49085</b>	Date <b>6/17/04</b>

**ROYALTON TOWNSHIP**

**FINANCIAL REPORT**

**March 31, 2004**

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**ROYALTON TOWNSHIP  
TOWNSHIP BOARD  
March 31, 2004**

Steve Tilly	Supervisor
Rocco Genovese	Clerk
Michael Klug	Treasurer
Dale Jasper	Trustee
Robert Basselman	Trustee

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

April 23, 2004

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Royalton Township  
St. Joseph, Michigan

We have audited the accompanying general-purpose financial statements of Royalton Township as of and for the year ended March 31, 2004 as listed in the table of contents. These general-purpose financial statements are the responsibility of Royalton Township's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Royalton Township as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of Royalton Township taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general-purpose financial statements of Royalton Township. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

*Gerbel & Company, P.C.*

Right. On time.

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**ROYALTON TOWNSHIP**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Proprietary</u>
	<u>General</u>	<u>Special</u>	<u>Fund</u>
<b>ASSETS</b>		<u>Revenue</u>	<u>Type</u>
			<u>Enterprise</u>
Cash in bank:			
Demand deposits	\$ 822,316	\$ 679,953	\$ 675,777
Certificates of deposit	150,817	-	181,017
Monies on deposit at County - construction	-	-	2,496,213
Taxes receivable	7,690	7,378	-
Prepaid insurance	7,938	6,548	-
Delinquent special assessment receivable	-	-	25,184
Sewer bond cost, net of \$50,074 accumulated amortization	-	-	10,178
Water bond cost, net of \$46,381 accumulated amortization	-	-	158,585
Sewer bond discount, net of \$38,853 accumulated amortization	-	-	7,897
Water bond discount, net of \$22,272 accumulated amortization	-	-	79,811
Special assessment receivable	-	-	4,514,430
Due from other funds - NOTE 7	45,798	-	-
Land and improvements	-	-	-
Buildings and improvements	-	-	-
Equipment	-	-	-
Construction in process	-	-	105,000
Plant, property, and equipment	-	-	9,018,697
Accumulated depreciation	-	-	(2,048,317)
Amount to be provided for retirement of general long-term debt	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,034,559</b>	<b>\$ 693,879</b>	<b>\$ 15,224,472</b>

<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>Trust and Agency</u>			
\$ 9,305	\$ -	\$ -	\$ 2,187,351
-	-	-	331,834
-	-	-	2,496,213
-	-	-	15,068
-	-	-	14,486
-	-	-	25,184
-	-	-	10,178
-	-	-	158,585
-	-	-	7,897
-	-	-	79,811
-	-	-	4,514,430
-	-	-	45,798
-	6,000	-	6,000
-	978,319	-	978,319
-	475,292	-	475,292
-	-	-	105,000
-	-	-	9,018,697
-	-	-	(2,048,317)
-	-	102,931	102,931
<u>\$ 9,305</u>	<u>\$ 1,459,611</u>	<u>\$ 102,931</u>	<u>\$ 18,524,757</u>



**ROYALTON TOWNSHIP**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Proprietary</u>
	<u>General</u>	<u>Special</u>	<u>Fund</u>
		<u>Revenue</u>	<u>Type</u>
<b>LIABILITIES AND FUND EQUITY</b>			<u>Enterprise</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 1,000
Accrued payroll taxes	3,580	-	-
Accrued interest payable	-	-	101,228
Bonds payable - current	-	-	650,000
Note payable - current	-	-	25,000
Bonds payable - net of current portion	-	-	5,630,000
Note payable - net of current portion	-	-	100,000
Due to other funds - NOTE 7	-	29,962	8,773
Due to other governments	-	-	38,694
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 3,580</u>	<u>\$ 29,962</u>	<u>\$ 6,554,695</u>
<b>Fund Equity:</b>			
Investment in general fixed assets	\$ -	\$ -	\$ -
Contributed capital	-	-	7,940,867
Retained earnings	-	-	728,910
<b>Fund Balances: - NOTE 1E</b>			
Unreserved	<u>1,030,979</u>	<u>663,917</u>	<u>-</u>
Total Fund Equity	<u>\$ 1,030,979</u>	<u>\$ 663,917</u>	<u>\$ 8,669,777</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 1,034,559</b></u>	<u><b>\$ 693,879</b></u>	<u><b>\$ 15,224,472</b></u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
\$ -	\$ -	\$ -	\$ 1,000
-	-	-	3,580
-	-	-	101,228
-	-	-	650,000
-	-	61,828	86,828
-	-	-	5,630,000
-	-	41,103	141,103
7,063	-	-	45,798
1,342	-	-	40,036
<u>\$ 8,405</u>	<u>\$ -</u>	<u>\$ 102,931</u>	<u>\$ 6,699,573</u>
\$ -	\$ 1,459,611	\$ -	\$ 1,459,611
-	-	-	7,940,867
-	-	-	728,910
<u>900</u>	<u>-</u>	<u>-</u>	<u>1,695,796</u>
<u>\$ 900</u>	<u>\$ 1,459,611</u>	<u>\$ -</u>	<u>\$ 11,825,184</u>
<u>\$ 9,305</u>	<u>\$ 1,459,611</u>	<u>\$ 102,931</u>	<u>\$ 18,524,757</u>

**ROYALTON TOWNSHIP**  
**Combined Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For the Year Ended March 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
<b>Revenues:</b>				
Taxes	\$ 121,489	\$ 154,565	\$ -	\$ 276,054
Licenses and permits	-	252,624	-	252,624
State grants	265,976	-	-	265,976
Collection fees	36,945	-	-	36,945
Interest and rents	21,708	3,596	5	25,309
Cemetery revenue	12,540	-	-	12,540
Other	39,644	-	-	39,644
Total Revenues	<u>\$ 498,302</u>	<u>\$ 410,785</u>	<u>\$ 5</u>	<u>\$ 909,092</u>
<b>Expenditures:</b>				
Legislative	\$ 6,342	\$ -	\$ -	\$ 6,342
General government	364,398	-	-	364,398
Public safety	3,011	226,394	-	229,405
Public works	15,987	-	-	15,987
Recreation and cultural	13,275	31,104	-	44,379
Capital outlay	7,341	48,607	-	55,948
Debt service:				
Principal retirement	40,963	-	-	40,963
Interest expense	4,702	-	-	4,702
Total Expenditures	<u>\$ 456,019</u>	<u>\$ 306,105</u>	<u>\$ -</u>	<u>\$ 762,124</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 42,283	\$ 104,680	\$ 5	\$ 146,968
<b>Other Financing Sources (Uses):</b>				
Residual equity transfer	<u>(157,664)</u>	<u>157,664</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures	\$ (115,381)	\$ 262,344	\$ 5	\$ 146,968
Fund Balances, April 1, 2003	<u>1,146,360</u>	<u>401,573</u>	<u>895</u>	<u>1,548,828</u>
FUND BALANCES, MARCH 31, 2004	<u>\$ 1,030,979</u>	<u>\$ 663,917</u>	<u>\$ 900</u>	<u>\$ 1,695,796</u>

**ROYALTON TOWNSHIP  
GENERAL FUND  
Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
General and Special Revenue Funds  
For the Year Ended March 31, 2004**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 122,243	\$ 121,489	\$ (754)
Licenses and permits	-	-	-
State grants	287,814	265,976	(21,838)
Collection fees	38,350	36,945	(1,405)
Interest and rents	30,600	21,708	(8,892)
Cemetery revenue	5,500	12,540	7,040
Other	14,350	39,644	25,294
Total Revenues	<u>\$ 498,857</u>	<u>\$ 498,302</u>	<u>\$ (555)</u>
<b>Expenditures:</b>			
Legislative	\$ 5,950	\$ 6,342	\$ (392)
General government	397,364	364,398	32,966
Public safety	3,815	3,011	804
Public works	87,152	15,987	71,165
Recreation and cultural	28,775	13,275	15,500
Capital outlay	30,600	7,341	23,259
Debt service	45,201	45,665	(464)
Total Expenditures	<u>\$ 598,857</u>	<u>\$ 456,019</u>	<u>\$ 142,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (100,000)	\$ 42,283	\$ 142,283
<b>Other Financing Sources (Uses):</b>			
Residual equity transfer	-	(157,664)	(157,664)
Revenues and Other Financing Sources Over (Under) Expenditures	\$ (100,000)	\$ (115,381)	\$ (15,381)
Fund Balances, April 1, 2003:	<u>1,146,360</u>	<u>1,146,360</u>	<u>-</u>
FUND BALANCES, MARCH 31, 2004	<u>\$ 1,046,360</u>	<u>\$ 1,030,979</u>	<u>\$ (15,381)</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 153,429	\$ 154,565	\$ 1,136
100,000	252,624	152,624
-	-	-
-	-	-
-	3,596	3,596
-	-	-
-	-	-
<u>\$ 253,429</u>	<u>\$ 410,785</u>	<u>\$ 157,356</u>
\$ -	\$ -	\$ -
-	-	-
191,534	226,394	(34,860)
-	-	-
31,104	31,104	-
25,500	48,607	(23,107)
-	-	-
<u>\$ 248,138</u>	<u>\$ 306,105</u>	<u>\$ (57,967)</u>
\$ 5,291	\$ 104,680	\$ 99,389
<u>128,562</u>	<u>157,664</u>	<u>29,102</u>
\$ 133,853	\$ 262,344	\$ 128,491
<u>401,573</u>	<u>401,573</u>	<u>-</u>
<u>\$ 535,426</u>	<u>\$ 663,917</u>	<u>\$ 128,491</u>

**ROYALTON TOWNSHIP  
PROPRIETARY FUND TYPE  
Combined Statement of Revenues, Expenses, and  
Changes in Retained Earnings  
For the Year Ended March 31, 2004**

	<b>Enterprise Fund</b>
<b>Operating Revenues:</b>	
Charges for services	\$ 702,625
Other	<u>12,131</u>
Total Operating Revenues	<u>\$ 714,756</u>
<b>Operating Expenses:</b>	
Sewer treatment charges	\$ 138,795
Professional services	6,792
Salary and wages	16,129
Payroll taxes	1,234
Depreciation and amortization	219,356
Utilities	15,081
Supplies	9,357
Repair and maintenance	18,494
Contribution to LMSWSTA	20,134
Miscellaneous	<u>3,116</u>
Total Operating Expenses	<u>\$ 448,488</u>
Operating Income	\$ 266,268
<b>Nonoperating Revenue (Expense):</b>	
Interest income	142,493
Interest expense	<u>(208,311)</u>
Net Income	\$ 200,450
Depreciation on assets financed by contributed capital	<u>145,079</u>
Increase in Retained Earnings	\$ 345,529
Retained Earnings, April 1, 2003	<u>383,381</u>
RETAINED EARNINGS, MARCH 31, 2004	<u><u>\$ 728,910</u></u>

**ROYALTON TOWNSHIP  
PROPRIETARY FUND TYPE  
Combined Statement of Cash Flows  
For the Year Ended March 31, 2004**

	<b>Enterprise Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Operating income	\$ 266,268
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	219,356
(Increase) decrease in:	
Delinquent special assessment receivable	1,053
Special assessment receivable	191,270
Bond cost	(83,136)
Bond discount	(41,929)
Increase (decrease) in:	
Accounts payable	1,000
Payroll liabilities	(277)
Due to other governments	7,991
Due to other funds	6,557
Deferred revenue	(30,332)
Net Cash Provided by Operating Activities	<u>\$ 537,821</u>
<b>Cash Flows Provided by Investing Activities:</b>	
Interest receipts	<u>\$ 142,493</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	\$ (378,418)
Proceeds from bonds	2,600,000
Principal payments	(650,000)
Interest payments	<u>(194,014)</u>
Net Cash Used by Financing Activities	<u>\$ 1,377,568</u>
Net Increase in Cash	\$ 2,057,882
Cash at April 1, 2003	<u>1,295,125</u>
CASH AT MARCH 31, 2004	<u>\$ 3,353,007</u>
Balance Sheet Classification of Cash and Cash Equivalents:	
Cash in bank:	
Demand deposits	\$ 675,777
Certificates of deposit	181,017
Monies on deposit at County - Construction	<u>2,496,213</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 3,353,007</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>	
Cash paid for interest	<u>\$ 194,014</u>

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by Royalton Township, Michigan, conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant government accounting policies are described below:

**A. Scope of Reporting Entity**

Royalton Township, Berrien County, Michigan operates under a Board of Trustees form of government. The Township provides general administrative, sanitation, recreation, planning, and zoning services as well as fire protection through a joint venture.

All potential component units of Royalton Township were considered in accordance with GAAP. Using the criteria established by GASB there were no component units to report as a part of the Township. The Township's general-purpose financial statements include all relevant organizations, functions, and activities of the government.

**B. Basis of Presentation - Fund Accounting**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into seven generic fund and account group types and four broad fund and account group categories as follows:

**GOVERNMENTAL FUNDS**

**General Fund** - General Fund is used to account for all financial transactions not accounted for in other funds. Revenues are derived primarily from property taxes, State and Federal distributions, grants, and other intergovernmental revenues. The General Fund accounts for the general operating expenditures of the Township not recorded elsewhere.

**Special Revenue Funds** - Special Revenue Funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**PROPRIETARY FUNDS**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FIDUCIARY FUNDS**

**Agency Funds** - Agency Funds are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basis of Presentation - Fund Accounting - Continued**

**FIDUCIARY FUNDS - Continued**

**Expendable Trust Funds** - Expendable Trust Funds are used to account for funds held in escrow for another party.

**ACCOUNT GROUPS**

**General Fixed Assets** - The General Fixed Asset Account Group is used to account for fixed assets used in a governmental fund type operation for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

**General Long-Term Debt** - The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from governmental fund types.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All government funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available except for special assessment revenues which are recognized when levied. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal intergovernmental revenues (e.g. federal grants) and charges for services. Most state intergovernmental revenues (e.g. income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

**D. Assets, Liabilities, and Fund Equity**

**Fixed Assets and Long-Term Liabilities**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Assets, Liabilities, and Fund Equity - Continued**

**Fixed Assets and Long-Term Liabilities - Continued**

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of exhaustible fixed assets purchased with earned revenues used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation of fixed assets purchased with contributed capital, such as special assessments and state or federal grants, is charged to contributed capital. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives range from five to fifty years.

**E. Fund Balance Reserves**

A fund balance reserve arises from statutory requirements or actions already taken by the Township. The reserved portion of the fund balance identifies those amounts segregated for future purposes or not available to finance expenditures in the subsequent fiscal year.

**F. Total Column on Combined Statements**

Total column on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, Royalton Township considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

**B. Deposits**

The carrying amount of the Township's deposits with financial institutions is \$2,519,185 and the bank balance is \$2,549,300.

The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 100,000
Uninsured	<u>2,449,300</u>
<b>Total Bank Balance</b>	<b><u>\$ 2,549,300</u></b>

Deposits are stated at cost. Various state laws authorize the Township to deposit in federally insured banks, credit unions and savings and loan associations, and to invest in various U.S. Government, federal agency, and instrumentality obligations. All deposits are held in the name of Royalton Township. The Township's deposits are in accordance with statutory authority.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets at March 31, 2004 consist of \$2,496,213 of cash held at Berrien County. The restricted cash is used for construction in Royalton Township's Water and Sewer Funds.

**NOTE 4 - CAPITAL ASSETS**

Changes in the general fixed assets account group for the year ended March 31, 2004 were as follows:

	<b>Balance 3/31/03</b>		<b>Additions</b>		<b>Deletions</b>		<b>Balance 3/31/04</b>
Land and improvements	\$ 6,000	\$	-	\$	-	\$	6,000
Buildings and improvements	978,319		-		-		978,319
Equipment	<u>410,602</u>		<u>64,690</u>		-		<u>475,292</u>
	<u>\$ 1,394,921</u>	\$	<u>64,690</u>	\$	-	\$	<u>1,459,611</u>

A summary of Proprietary Fund Type assets at March 31, 2004 is as follows:

<b><u>Enterprise Fund</u></b>	<b><u>Life</u></b>	<b><u>Cost</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Totals</u></b>
Vehicle	5 years	\$ 12,059	\$ (12,059)	-
Sewer system	50 years	5,521,534	(1,479,853)	4,041,681
Water system	40 years	3,485,104	(556,405)	2,928,699
Construction in progress	N/A	<u>105,000</u>	-	<u>105,000</u>
		<u>\$ 9,123,697</u>	<u>\$ (2,048,317)</u>	<u>\$ 7,075,380</u>

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 4 - CAPITAL ASSETS - Continued**

\$201,000 of the cost of the water system is an estimate arrived at by the Township's management and their engineers. There were no records of construction costs available.

**NOTE 5 - BUDGET INFORMATION**

The Supervisor is responsible for submitting an annual budget to the Township board. The budget was adopted in summary form. The budget was prepared in accordance with generally accepted accounting policies and is prepared using the same basis of accounting as the general-purpose financial statements. Unexpended appropriations lapse at year-end. No encumbrances were recorded and the amount has not been calculated at March 31, 2004. Once approved, the Township board may amend the legally adopted budget when unexpected modifications are required.

Expenditures in excess of the amounts in the adopted budget is a violation of Michigan law. Expenditures in excess of adopted budget amounts are as follows:

<b>General Fund</b>	<b><u>Appropriations</u></b>	<b><u>Expenditures</u></b>	<b><u>Variance</u></b>
Legislative	\$ 5,950	\$ 6,342	\$ (392)
Residual Equity Transfer	-	157,664	(157,664)
Debt Service	45,201	45,665	(464)
<b>Public Welfare Millage Fund</b>			
Public Safety	94,034	105,384	(11,350)
Capital Outlay	25,500	47,797	(22,297)
<b>Inspection Fund</b>			
Public Safety	97,500	121,010	(23,510)
Capital Outlay	-	810	(810)
<b>Total</b>	<b><u>\$ 268,185</u></b>	<b><u>\$ 484,672</u></b>	<b><u>\$ (216,487)</u></b>

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of debt transactions of the Township for the year ended March 31, 2004:

	<b><u>Water and Sewer Liabilities</u></b>			
	<b><u>Note</u></b>	<b><u>General</u></b>	<b><u>Note</u></b>	
	<b><u>Payable</u></b>	<b><u>Obligation</u></b>	<b><u>Payable</u></b>	<b><u>Total</u></b>
Balance, April 1, 2003	\$ 106,650	\$ 4,305,000	\$ 150,000	\$ 4,561,650
New debt	-	2,600,000	-	2,600,000
Debt redeemed	(40,963)	(625,000)	(25,000)	(690,963)
Balance, March 31, 2004	<u>\$ 65,687</u>	<u>\$ 6,280,000</u>	<u>\$ 125,000</u>	<u>\$ 6,470,687</u>

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 6 - LONG-TERM DEBT - Continued**

General obligation bonds at March 31, 2004 consist of the following:

Berrien County Sewage Disposal System No. 20, Refunding Bonds. Principal is due in annual installments of \$415,000 - \$500,000 through May 1, 2006; interest rate varies from 4.6% - 4.9%.	\$ 1,415,000
Berrien County Water Supply System No. 25 bonds, Series 2003. Principal is due in annual installments of \$25,000 - \$200,000 through May 1, 2023; interest rate varies from 2.0% - 4.45%.	2,600,000
Berrien County Water Supply System No. 20 bonds, Series 1994. Principal is due in annual installments of \$50,000 - \$95,000 through May 1, 2014; interest rate varies from 5.3% - 6%.	745,000
Berrien County Water Supply System No. 23, Project Bonds. Principal is due in annual installments of \$75,000 - \$145,000 beginning May 1, 1999 through May 1, 2018; interest rate varies from 4.3% - 4.75%.	<u>1,520,000</u>
	<u>\$ 6,280,000</u>

The repayment of these general obligation bonds is guaranteed by the Township and Berrien County. The bonds were issued by Berrien County and the Township pays the County the current maturities under a contract. The bonds represent the financing of public improvements that benefit specific districts; these districts are assessed, at least in part, for the cost of the improvements. At March 31, 2004, there is \$4,514,430 of special assessments receivable in the future; the amount of delinquent receivables at March 31, 2004 is not significant.

The Township agrees to reimburse Lincoln Township for the oversized water transmission mains in the amount of \$250,000 paid in annual installments of \$25,000 beginning June 1, 1999 through June 1, 2008; no interest is being charged.	\$ 125,000
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An October 10, 2000, installment note to Fifth Third Bank in the amount of \$200,000 is due in monthly installments of \$3,805 including interest at 5.34% per annum through September 20, 2005.	65,687
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The Township agrees to purchase the Village of Stevensville's share of jointly owned equipment owned by the dissolved Tri-Unit Fire Board. Annual payments of \$18,622 will be made beginning May of 2003 through May of 2005.	<u>37,244</u>
	<u>\$ 227,931</u>

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 6 - LONG-TERM DEBT - Continued**

The annual requirements to service all outstanding debt as of March 31, 2004, including interest are as follows:

<b>Years Ending March 31,</b>	<b>General Obligation</b>		<b>Total</b>
	<b>Bonds</b>	<b>Notes</b>	
2005	\$ 893,364	\$ 89,287	\$ 982,651
2006	903,979	66,455	970,434
2007	814,735	25,000	839,735
2008	431,250	25,000	456,250
2009	446,113	25,000	471,113
Remaining years	4,951,502	-	4,951,502
Total	\$ 8,440,943	\$ 230,742	\$ 8,671,685
Less Interest	(2,160,943)	(2,811)	(2,163,754)
Total Principal	<u>\$ 6,280,000</u>	<u>\$ 227,931</u>	<u>\$ 6,507,931</u>

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Fund</b>	<b>Interfund Payable</b>
General	<u>\$ 45,798</u>	Inspection	\$ 17,535
		Current Tax	7,063
		Public Welfare	12,427
		Public Utility	<u>8,773</u>
Total	<u>\$ 45,798</u>	Total	<u>\$ 45,798</u>

**NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Township provides pension benefits to all of its full-time employees and elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Township Board, the Township contributes fifteen percent of employees' gross earnings and employees contribute five percent of earnings. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

The Township's total payroll during the current year was \$276,578. The current year contribution was calculated based on covered payroll of \$234,640, resulting in an employer contribution of \$35,196 and employee contributions of \$11,732.

**NOTE 9 - DEFERRED COMPENSATION PLAN**

As of July 1, 2003, the Township offered a deferred compensation plan administered by ING Life Insurance and Annuity Company called the Royalton Township 457 Plan. Eligible employees may contribute 100% of their includible compensation up to limits set by law. There is no requirement for employer contributions. For the current year there were no employer contributions; employees' contributions totaled \$3,203.

**ROYALTON TOWNSHIP**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 10 - PROPERTY TAXES**

The Township levies property taxes on December 1. The taxes are attached as an enforceable lien the preceding December 31. Property taxes become available for expenditure and are thus recognized as revenue in the fiscal year they are levied.

**NOTE 11 - CONTRIBUTED CAPITAL**

The changes in contributed capital during the year were as follows:

	<b>Public Utility Fund</b>
Balance, April 1, 2003	\$ 5,372,446
Additions for the current year	2,713,500
Depreciation for the current year	<u>(145,079)</u>
Balance, March 31, 2004	<u>\$ 7,940,867</u>

Additions to contributed capital resulted from the creation of a new special assessment district to recover the costs of new water lines to be installed for property owners in the affected district.

**NOTE 12 - CREATION OF FIRE DEPARTMENT**

As of April 1, 2003, the Tri-Unit Fire Board was dissolved and the Township established their own fire department. The Township retained possession of the fire truck and equipment located in the Township's fire station. The Township will purchase the other units' share of the jointly owned equipment for \$55,867. The fire station building was owned by the Township.

**NOTE 13 - CREATION OF INSPECTION FUND**

As of April 1, 2003, the Township Board approved the creation of the Inspection Fund to account for revenues and expenditures related to the building inspection department. These revenues and expenditures were included in the General Fund prior to April 1, 2003, and the fund balance was reserved for the accumulated excess of revenues over expenditures. The reserved portion of the General Fund was transferred to the Inspection Fund at April 1, 2003.

**NOTE 14 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Township carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 15 - NEW REPORTING STANDARD**

In June 1999, the Government Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year beginning April 1, 2004. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have in the financial statements.

**ROYALTON TOWNSHIP  
SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
March 31, 2004**

	<b>Public Welfare Millage Fund</b>	<b>Inspection Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 372,352	\$ 307,601	\$ 679,953
Taxes receivable	7,378	-	7,378
Prepaid insurance	<u>6,548</u>	<u>-</u>	<u>6,548</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 386,278</u></b>	<b><u>\$ 307,601</u></b>	<b><u>\$ 693,879</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Due to other funds	<u>\$ 12,427</u>	<u>\$ 17,535</u>	<u>\$ 29,962</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 12,427</u></b>	<b><u>\$ 17,535</u></b>	<b><u>\$ 29,962</u></b>
 <b>Fund Balances:</b>			
Unreserved	<u>373,851</u>	<u>290,066</u>	<u>663,917</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 386,278</u></b>	<b><u>\$ 307,601</u></b>	<b><u>\$ 693,879</u></b>



**ROYALTON TOWNSHIP  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures, and Changes  
In Fund Balances - Budget and Actual  
For the Year Ended March 31, 2004**

<b>Public Welfare Millage Fund</b>			
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
<b>Revenues:</b>			
Taxes	\$ 153,429	\$ 154,565	\$ 1,136
Permits	-	-	-
Interest	-	1,998	1,998
Total Revenues	<u>\$ 153,429</u>	<u>\$ 156,563</u>	<u>\$ 3,134</u>
<b>Expenditures:</b>			
Public safety	\$ 94,034	\$ 105,384	\$ (11,350)
Recreation and cultural	31,104	31,104	-
Capital outlay	<u>25,500</u>	<u>47,797</u>	<u>(22,297)</u>
Total Expenditures	<u>\$ 150,638</u>	<u>\$ 184,285</u>	<u>\$ (33,647)</u>
Revenues Over (Under) Expenditures	\$ 2,791	\$ (27,722)	\$ (30,513)
<b>Other Financing Sources (Uses):</b>			
Residual equity transfer	-	-	-
Revenues and Other Financing Sources Over (Under) Expenditures	\$ 2,791	\$ (27,722)	\$ (30,513)
Fund Balances, April 1, 2003	<u>401,573</u>	<u>401,573</u>	<u>-</u>
FUND BALANCES, MARCH 31, 2004	<u>\$ 404,364</u>	<u>\$ 373,851</u>	<u>\$ (30,513)</u>

Inspection Fund		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
100,000	252,624	152,624
-	1,598	1,598
<u>\$ 100,000</u>	<u>\$ 254,222</u>	<u>\$ 154,222</u>
\$ 97,500	\$ 121,010	\$ (23,510)
-	-	-
-	810	(810)
<u>\$ 97,500</u>	<u>\$ 121,820</u>	<u>\$ (24,320)</u>
\$ 2,500	\$ 132,402	\$ 129,902
128,562	157,664	29,102
\$ 131,062	\$ 290,066	\$ 159,004
-	-	-
<u>\$ 131,062</u>	<u>\$ 290,066</u>	<u>\$ 159,004</u>

Total		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 153,429	\$ 154,565	\$ 1,136
100,000	252,624	152,624
-	3,596	3,596
<u>\$ 253,429</u>	<u>\$ 410,785</u>	<u>\$ 157,356</u>
\$ 191,534	\$ 226,394	\$ (34,860)
31,104	31,104	-
25,500	48,607	(23,107)
<u>\$ 248,138</u>	<u>\$ 306,105</u>	<u>\$ (57,967)</u>
\$ 5,291	\$ 104,680	\$ 99,389
128,562	157,664	29,102
\$ 133,853	\$ 262,344	\$ 128,491
401,573	401,573	-
<u>\$ 535,426</u>	<u>\$ 663,917</u>	<u>\$ 128,491</u>

**ROYALTON TOWNSHIP  
TRUST AND AGENCY FUNDS  
Combining Balance Sheet  
March 31, 2004**

	<b>Expendable Cemetery Trust <u>Fund</u></b>	<b>Tax Collection <u>Fund</u></b>	<b>Agency <u>Fund</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>				
Cash	\$ 900	\$ 7,063	\$ 1,342	\$ 9,305
<b>TOTAL ASSETS</b>	<u>\$ 900</u>	<u>\$ 7,063</u>	<u>\$ 1,342</u>	<u>\$ 9,305</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
Due to other funds	\$ -	\$ 7,063	\$ -	\$ 7,063
Due to other governments	-	-	1,342	1,342
<b>Total Liabilities</b>	\$ -	\$ 7,063	\$ 1,342	\$ 8,405
<b>Fund Balance</b>	<u>900</u>	<u>-</u>	<u>-</u>	<u>900</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 900</u>	<u>\$ 7,063</u>	<u>\$ 1,342</u>	<u>\$ 9,305</u>

**ROYALTON TOWNSHIP  
TRUST AND AGENCY FUNDS  
Statement of Cash Receipts and Disbursements - Tax Collection Fund  
For the Year Ended March 31, 2004**

**Receipts:**

Current property tax collections	\$ 3,821,459
Interest	<u>6,248</u>
Total Receipts	<u>\$ 3,827,707</u>

**Disbursements:**

Public schools	\$ 1,006,095
Berrien County	1,629,741
Other funds	540,145
Berrien County I.S.D.	364,146
Lake Michigan College	275,803
State of Michigan	5,530
Interest	<u>5,694</u>
Total Disbursements	<u>\$ 3,827,154</u>

Excess of Receipts Over Disbursements	\$ 553
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Cash, April 1, 2003	<u>6,510</u>
CASH, MARCH 31, 2004	<u>\$ 7,063</u>

**ROYALTON TOWNSHIP  
TRUST AND AGENCY FUNDS  
Statement of Cash Receipts and Disbursements - Agency Fund  
For the Year Ended March 31, 2004**

**Receipts:**

Trailer fees

\$ 75

Cash, April 1, 2003

1,267

CASH, MARCH 31, 2004

\$ 1,342

**ROYALTON TOWNSHIP  
ENTERPRISE FUND  
PUBLIC UTILITY FUND  
Balance Sheet  
March 31, 2004**

**ASSETS**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Cash in bank:			
Demand deposits	\$ (526,770)	\$ 1,202,547	\$ 675,777
Certificates of deposit	-	181,017	181,017
Delinquent special assessment receivable	<u>3,513</u>	<u>21,671</u>	<u>25,184</u>
Total Current Assets	\$ (523,257)	\$ 1,405,235	\$ 881,978
Plant, property, and equipment	5,533,592	3,485,105	9,018,697
Construction in process	-	105,000	105,000
Monies on deposit at County - Construction	7,377	2,488,836	2,496,213
Special assessment receivable	1,000	4,513,430	4,514,430
Sewer bond cost, net of \$50,074 accumulated amortization	10,178	-	10,178
Water bond cost, net of \$46,381 accumulated amortization	-	158,585	158,585
Sewer bond discount, net of \$38,853 accumulated amortization	7,897	-	7,897
Water bond discount, net of \$22,272 accumulated amortization	-	79,811	79,811
Accumulated depreciation	<u>(1,491,912)</u>	<u>(556,405)</u>	<u>(2,048,317)</u>
TOTAL ASSETS	<u>\$ 3,544,875</u>	<u>\$ 11,679,597</u>	<u>\$ 15,224,472</u>

**LIABILITIES AND FUND EQUITY**

**Liabilities:**

Accounts payable	\$ 1,000	\$ -	\$ 1,000
Current portion of bonds payable	500,000	150,000	650,000
Current portion of note payable	-	25,000	25,000
Accrued interest	28,014	73,214	101,228
Due to other governments	38,694	-	38,694
Due to other funds	<u>1,234</u>	<u>7,539</u>	<u>8,773</u>

Total Current Liabilities	<u>\$ 568,942</u>	<u>\$ 255,753</u>	<u>\$ 824,695</u>
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Bonds payable, net of current portion	\$ 915,000	\$ 4,715,000	\$ 5,630,000
Note payable, net of current portion	<u>-</u>	<u>100,000</u>	<u>100,000</u>

Total Long-Term Liabilities	<u>\$ 915,000</u>	<u>\$ 4,815,000</u>	<u>\$ 5,730,000</u>
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Total Liabilities	<u>\$ 1,483,942</u>	<u>\$ 5,070,753</u>	<u>\$ 6,554,695</u>
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**Fund Equity:**

Contributed capital	2,324,532	5,616,335	7,940,867
Retained earnings (accumulated deficit)	<u>(263,599)</u>	<u>992,509</u>	<u>728,910</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,544,875</u>	<u>\$ 11,679,597</u>	<u>\$ 15,224,472</u>
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**ROYALTON TOWNSHIP  
ENTERPRISE FUND  
PUBLIC UTILITY FUND**

**Statement of Revenues, Expenses, and Changes in Retained Earnings  
For the Year Ended March 31, 2004**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 541,646	\$ 160,979	\$ 702,625
Other	<u>2,176</u>	<u>9,955</u>	<u>12,131</u>
Total Operating Revenues	<u>\$ 543,822</u>	<u>\$ 170,934</u>	<u>\$ 714,756</u>
<b>Operating Expenses:</b>			
Sewer treatment charges	\$ 138,795	\$ -	\$ 138,795
Professional services	6,792	-	6,792
Salary and wages	16,129	-	16,129
Payroll taxes	1,234	-	1,234
Depreciation and amortization	120,860	98,496	219,356
Utilities	15,081	-	15,081
Supplies	5,203	4,154	9,357
Repairs and maintenance	18,468	26	18,494
Contribution to LMSWSTA	-	20,134	20,134
Miscellaneous	<u>1,170</u>	<u>1,946</u>	<u>3,116</u>
Total Operating Expenses	<u>\$ 323,732</u>	<u>\$ 124,756</u>	<u>\$ 448,488</u>
Operating Income (Loss)	\$ 220,090	\$ 46,178	\$ 266,268
<b>Nonoperating Revenue (Expense):</b>			
Interest income	1,468	141,025	142,493
Interest expense	<u>(68,939)</u>	<u>(139,372)</u>	<u>(208,311)</u>
Net Income (Loss)	\$ 152,619	\$ 47,831	\$ 200,450
Depreciation on assets financed by contributed capital	<u>70,026</u>	<u>75,053</u>	<u>145,079</u>
Increase (decrease) in Retained Earnings	\$ 222,645	\$ 122,884	\$ 345,529
Retained Earnings (Accumulated Deficit), April 1, 2003	<u>(486,244)</u>	<u>869,625</u>	<u>383,381</u>
RETAINED EARNINGS (ACCUMULATED DEFICIT), MARCH 31, 2004	<u>\$ (263,599)</u>	<u>\$ 992,509</u>	<u>\$ 728,910</u>

**ROYALTON TOWNSHIP**  
**Schedule of Indebtedness - Refunding Bonds**  
**March 31, 2004**

County of Berrien, State of Michigan  
 Berrien County Sewage Disposal System No. 20  
 Refunding Bonds (Royalton Township)

ISSUE DATED JANUARY 1, 1994 IN THE AMOUNT OF

\$4,675,000

<u>Year Ending March 31,</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Due May 1,</u>	<u>Total</u>
2005	4.600%	\$ 55,585	\$ 500,000	\$ 555,585
2006	4.750%	32,210	500,000	532,210
2007	4.900%	<u>10,167</u>	<u>415,000</u>	<u>425,167</u>
		<u>\$ 97,962</u>	<u>\$ 1,415,000</u>	<u>\$ 1,512,962</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.



**ROYALTON TOWNSHIP**  
**Schedule of Indebtedness - 2003 Project Bonds**  
**March 31, 2004**

County of Berrien, State of Michigan  
 Berrien County Water Supply System No. 25  
 Project Bonds (Royalton Township)

ISSUE DATED JANUARY 1, 2004 IN THE AMOUNT OF

\$2,600,000

<u>Year Ending March 31,</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Due May 1,</u>	<u>Total</u>
2005	2.00%	\$ 77,948	\$ 25,000	\$ 102,948
2006	2.00%	92,838	50,000	142,838
2007	2.00%	91,587	75,000	166,587
2008	2.00%	89,838	100,000	189,838
2009	2.40%	87,637	100,000	187,637
2010	2.70%	85,088	100,000	185,088
2011	3.00%	82,237	100,000	182,237
2012	3.15%	78,769	125,000	203,769
2013	3.35%	74,706	125,000	199,706
2014	3.40%	70,487	125,000	195,487
2015	3.55%	66,144	125,000	191,144
2016	3.70%	61,150	150,000	211,150
2017	3.80%	55,525	150,000	205,525
2018	3.90%	49,750	150,000	199,750
2019	4.00%	43,825	150,000	193,825
2020	4.10%	37,238	175,000	212,238
2021	4.20%	29,975	175,000	204,975
2022	4.30%	22,000	200,000	222,000
2023	4.40%	13,300	200,000	213,300
2024	4.45%	4,450	200,000	204,450
		<u>\$ 1,214,492</u>	<u>\$ 2,600,000</u>	<u>\$ 3,814,492</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP**  
**Schedule of Indebtedness - 1988 Extension**  
**March 31, 2004**

County of Berrien, State of Michigan  
 Berrien County Water Supply System No. 20  
 Bonds (Royalton Township), Series 1994

ISSUE DATED OCTOBER 1, 1994 IN THE AMOUNT OF

\$1,195,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2005	5.300%	\$ 42,006	\$ 50,000	\$ 92,006
2006	5.400%	39,331	50,000	89,331
2007	5.500%	36,606	50,000	86,606
2008	5.625%	33,825	50,000	83,825
2009	5.750%	30,263	75,000	105,263
2010	5.875%	25,903	75,000	100,903
2011	6.000%	21,450	75,000	96,450
2012	6.000%	16,950	75,000	91,950
2013	6.000%	12,450	75,000	87,450
2014	6.000%	7,950	75,000	82,950
2015	6.000%	2,850	95,000	97,850
		<u>\$ 269,584</u>	<u>\$ 745,000</u>	<u>\$ 1,014,584</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP**  
**Schedule of Indebtedness - 1998 Project Bonds**  
**March 31, 2004**

County of Berrien, State of Michigan  
 Berrien County Water Supply System No. 23  
 Project Bonds (Royalton Township)

ISSUE DATED JULY 1, 1998 IN THE AMOUNT OF

\$1,820,000

<u>Year Ending March 31,</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Due May 1,</u>	<u>Total</u>
2005	4.30%	\$ 67,825	\$ 75,000	\$ 142,825
2006	4.30%	64,600	75,000	139,600
2007	4.30%	61,375	75,000	136,375
2008	4.35%	57,587	100,000	157,587
2009	4.40%	53,213	100,000	153,213
2010	4.50%	48,762	100,000	148,762
2011	4.55%	44,238	100,000	144,238
2012	4.55%	39,687	100,000	139,687
2013	4.60%	35,113	100,000	135,113
2014	4.65%	30,487	100,000	130,487
2015	4.70%	25,813	100,000	125,813
2016	4.70%	21,112	100,000	121,112
2017	4.75%	15,794	125,000	140,794
2018	4.75%	9,856	125,000	134,856
2019	4.75%	3,443	145,000	148,443
		<u>\$ 578,905</u>	<u>\$ 1,520,000</u>	<u>\$ 2,098,905</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

**ROYALTON TOWNSHIP**  
**Schedule of Indebtedness - 2000 Installment Note**  
**March 31, 2004**

<u>Year Ended March 31,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2005	5.34%	\$ 45,665	\$ 2,459	\$ 43,206	\$ 22,481
2006	5.34%	<u>22,833</u>	<u>352</u>	<u>22,481</u>	-
		<u>\$ 68,498</u>	<u>\$ 2,811</u>	<u>\$ 65,687</u>	

Proceeds used for addition to township hall and remodeling of existing building. Payments of \$3,805 including interest at 5.34% are due monthly through September 20, 2005.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

April 23, 2004

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH **GOVERNMENT AUDITING STANDARDS**

To the Township Board  
Royalton Township  
St. Joseph, Michigan

We have audited the financial statements of Royalton Township as of and for the year ended March 31, 2004, and have issued our report thereon dated April 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Royalton Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Royalton Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Gerbel & Company, P.C.*

**Right. On time.**